



*Thank You to My father and Richard Russell*

*by*

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The summer after I graduated high school in 1989, I got my first job working at Pasta Plus, a small store near my home that sold fresh pasta and sauces, all made in-house. I washed pots and storage containers, stocked shelves, mopped floors, chopped parsley and garlic, and eventually got some time at the cash register. My starting pay was \$3.35 per hour, the minimum wage back then, but by July, I got a raise to \$3.85 per hour because of my good work ethic. It was a great first work experience, and I was proud of the \$800 I made that summer.

I was also excited because it meant I could open an IRA (Individual Retirement Account) and start investing my own money. You see that summer, my father gave me a copy of an article written by Richard Russell in Dow Theory Letters, a well-regarded and popular newsletter that he published from 1958 until just before his passing in 2015. The article was entitled "Rich Man, Poor Man," and at eighteen years old, I knew which one I wanted to be! The article included a table pitting Investor A versus Investor B. Investor A was a diligent saver. He opened an IRA account when he was 26 and socked away \$2,000 (the limit back then), every year up until his retirement at age 65, representing \$80,000 in lifetime savings. Investor B took a different path. Investor B started his IRA at age 19 and put away \$2,000 every year until age 25, after which, for unknown reasons, he never contributed to his IRA again. Investor B only saved \$14,000. The table then showed how their money grew over time using a 10% compounded annual return (in line with what stocks have delivered over the past 75 years). Shockingly to me at the time, by age 65 both Investor A and Investor B both had, more or less, the same amount of money. Both were just one year away from hitting \$1 million, even though Investor A had saved so much more over his lifetime.

I remember thinking this can't be true, so my father told me to check it myself. I grabbed my Texas Instruments solar calculator (which I still have and still works fine), and my father taught me how to do the calculations. For every year, I added \$2,000 to the previous year's value and then multiplied by 1.1. Sure enough, the calculations were correct. I had just discovered the "magic" of compound interest! That year, and every year thereafter, I have diligently made the largest contribution I could to my IRA. I am now 54 years old, and needless to say, my IRA has grown into an impressive nest egg.



Now it's my turn to pass down this knowledge to my two sons, who both have their first paying jobs this summer. Just like my father did for me, I want to teach them the importance of saving and investing at an early age. I have recreated my own version of the famous table in Richard Russell's "Rich Man, Poor Man" article. I have updated the numbers for today's \$7,000 contribution limit (\$8,000 after age 50). In my example, Investor A is the early saver, making \$7,000 contributions from age 18 to 25. Investor B starts contributing the maximum to his IRA at age 26 every year until age 65. I have added Investor C, the investor we should all aspire to be, who maxes out his IRA every year from age 18 to 65. I have used the same 10% compounded return.

In my example, Investor A's IRA grows to almost \$4 million, Investor B's IRA grows to almost \$3.5 million (despite saving nearly \$250,000 more over his lifetime), and Investor C ends up with almost \$7.5 million. Importantly, we have Roth IRAs today, so these terminal values can be withdrawn tax-free during retirement.

I will give this article to my sons, and I encourage you to share it with your young adult children who are starting to earn money for the first time. Make them study this table. They can check the math in a spreadsheet or ChatGPT. Let them learn the "magic" of compound interest and the importance of saving and investing as early as possible.

If they haven't already, encourage them to open a Roth IRA and start contributing as much as possible every year for the rest of their lives. Suggest that they invest their IRA in a low-cost global stock fund with dividends automatically reinvested. Vanguard Total World Stock ETF (VT) would be my pick with a low 0.07% expense ratio. Why not an S&P 500 Index? An S&P 500 Index fund would also work fine, but I prefer the diversification benefits of a global index. In addition, today, international and emerging market stocks offer better value as well as protection against a weaker U.S. dollar. Finally, emotionally prepare them for the inevitable bear markets they will live through. Since 1970, global stocks have experienced downturns of 20% or more about every four to five years. In 1987, they fell more than 20% in a single day. During the Dot-com bust in the early 2000s, prices fell 50%, and the 2008 financial crisis caused an almost 60% drawdown. Yet, every time, the markets eventually recovered to new highs. Make them promise to hold steady no matter how bad it gets, to never sell their stock fund or stop contributing to their IRA every year.

I hope they remember this article, this table, and your discussion with them decades later, just like I remember Richard Russell's "Rich Man, Poor Man" article. Thank you, Dad, for teaching me this investment wisdom during that hot summer of 1989.



	Investor A		Investor B		Investor C	
18	\$ 7,000	\$ 7,700	\$ -	\$ -	\$ 7,000	\$ 7,700
19	\$ 7,000	\$ 16,170	\$ -	\$ -	\$ 7,000	\$ 16,170
20	\$ 7,000	\$ 25,487	\$ -	\$ -	\$ 7,000	\$ 25,487
21	\$ 7,000	\$ 35,736	\$ -	\$ -	\$ 7,000	\$ 35,736
22	\$ 7,000	\$ 47,009	\$ -	\$ -	\$ 7,000	\$ 47,009
23	\$ 7,000	\$ 59,410	\$ -	\$ -	\$ 7,000	\$ 59,410
24	\$ 7,000	\$ 73,051	\$ -	\$ -	\$ 7,000	\$ 73,051
25	\$ 7,000	\$ 88,056	\$ -	\$ -	\$ 7,000	\$ 88,056
26	\$ -	\$ 96,862	\$ 7,000	\$ 7,700	\$ 7,000	\$ 104,562
27	\$ -	\$ 106,548	\$ 7,000	\$ 16,170	\$ 7,000	\$ 122,718
28	\$ -	\$ 117,203	\$ 7,000	\$ 25,487	\$ 7,000	\$ 142,690
29	\$ -	\$ 128,923	\$ 7,000	\$ 35,736	\$ 7,000	\$ 164,659
30	\$ -	\$ 141,816	\$ 7,000	\$ 47,009	\$ 7,000	\$ 188,825
31	\$ -	\$ 155,997	\$ 7,000	\$ 59,410	\$ 7,000	\$ 215,407
32	\$ -	\$ 171,597	\$ 7,000	\$ 73,051	\$ 7,000	\$ 244,648
33	\$ -	\$ 188,757	\$ 7,000	\$ 88,056	\$ 7,000	\$ 276,813
34	\$ -	\$ 207,632	\$ 7,000	\$ 104,562	\$ 7,000	\$ 312,194
35	\$ -	\$ 228,395	\$ 7,000	\$ 122,718	\$ 7,000	\$ 351,114
36	\$ -	\$ 251,235	\$ 7,000	\$ 142,690	\$ 7,000	\$ 393,925
37	\$ -	\$ 276,359	\$ 7,000	\$ 164,659	\$ 7,000	\$ 441,017
38	\$ -	\$ 303,994	\$ 7,000	\$ 188,825	\$ 7,000	\$ 492,819
39	\$ -	\$ 334,394	\$ 7,000	\$ 215,407	\$ 7,000	\$ 549,801
40	\$ -	\$ 367,833	\$ 7,000	\$ 244,648	\$ 7,000	\$ 612,481
41	\$ -	\$ 404,616	\$ 7,000	\$ 276,813	\$ 7,000	\$ 681,429
42	\$ -	\$ 445,078	\$ 7,000	\$ 312,194	\$ 7,000	\$ 757,272
43	\$ -	\$ 489,586	\$ 7,000	\$ 351,114	\$ 7,000	\$ 840,700
44	\$ -	\$ 538,545	\$ 7,000	\$ 393,925	\$ 7,000	\$ 932,470
45	\$ -	\$ 592,399	\$ 7,000	\$ 441,017	\$ 7,000	\$ 1,033,417
46	\$ -	\$ 651,639	\$ 7,000	\$ 492,819	\$ 7,000	\$ 1,144,458
47	\$ -	\$ 716,803	\$ 7,000	\$ 549,801	\$ 7,000	\$ 1,266,604
48	\$ -	\$ 788,483	\$ 7,000	\$ 612,481	\$ 7,000	\$ 1,400,964
49	\$ -	\$ 867,331	\$ 7,000	\$ 681,429	\$ 7,000	\$ 1,548,761
50	\$ -	\$ 954,065	\$ 8,000	\$ 758,372	\$ 8,000	\$ 1,712,437
51	\$ -	\$ 1,049,471	\$ 8,000	\$ 843,010	\$ 8,000	\$ 1,892,481
52	\$ -	\$ 1,154,418	\$ 8,000	\$ 936,111	\$ 8,000	\$ 2,090,529
53	\$ -	\$ 1,269,860	\$ 8,000	\$ 1,038,522	\$ 8,000	\$ 2,308,382
54	\$ -	\$ 1,396,846	\$ 8,000	\$ 1,151,174	\$ 8,000	\$ 2,548,020
55	\$ -	\$ 1,536,530	\$ 8,000	\$ 1,275,091	\$ 8,000	\$ 2,811,622
56	\$ -	\$ 1,690,184	\$ 8,000	\$ 1,411,400	\$ 8,000	\$ 3,101,584
57	\$ -	\$ 1,859,202	\$ 8,000	\$ 1,561,340	\$ 8,000	\$ 3,420,542
58	\$ -	\$ 2,045,122	\$ 8,000	\$ 1,726,274	\$ 8,000	\$ 3,771,396
59	\$ -	\$ 2,249,634	\$ 8,000	\$ 1,907,702	\$ 8,000	\$ 4,157,336
60	\$ -	\$ 2,474,598	\$ 8,000	\$ 2,107,272	\$ 8,000	\$ 4,581,870
61	\$ -	\$ 2,722,057	\$ 8,000	\$ 2,326,799	\$ 8,000	\$ 5,048,857
62	\$ -	\$ 2,994,263	\$ 8,000	\$ 2,568,279	\$ 8,000	\$ 5,562,542
63	\$ -	\$ 3,293,690	\$ 8,000	\$ 2,833,907	\$ 8,000	\$ 6,127,596
64	\$ -	\$ 3,623,058	\$ 8,000	\$ 3,126,098	\$ 8,000	\$ 6,749,156
65	\$ -	<b>\$ 3,985,364</b>	\$ 8,000	<b>\$ 3,447,507</b>	\$ 8,000	<b>\$ 7,432,872</b>
Total Invested:		\$ 56,000	\$ 296,000		\$ 352,000	
Total Earned:		\$ 3,929,364	\$ 3,151,507		\$ 7,080,872	